

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 COME-00 EB-08 LAB-04 SIL-01 OMB-01 TRSE-00  
/073 W

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R 092348Z SEP 77

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 3998

INFO AMEMBASSY CANBERRA

AMCONSUL MELBOURNE

AMEMBASSY SUVA

CINCPAC HONOLULU

AMCONSUL AUCKLAND POUCH

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E.O. 11652: N/A

TAGS: ELAB, NZ

SUBJECT: NEW ZEALAND TRIES NOT-SO-FREE COLLECTIVE  
BARGAINING

1. SUMMARY. THE LATE JULY DECISION OF THE NATIONAL GOVERNMENT OF PRIME MINISTER ROB MULDOON TO LIFT THE SIX-YEAR OLD WAGE RESTRAINTS CAME AS SOMETHING OF A SURPRISE TO THE LEADERSHIP OF BOTH THE EMPLOYER AND WORKER ORGANIZATIONS. GOVERNMENT PROFESSED RENEWED FAITH IN THE WORKABILITY OF FREE COLLECTIVE BARGAINING, BUT SPOKE DARKLY ABOUT THE "SOCIAL RESPONSIBILITY" OF THE EMPLOYERS FEDERATION AND THE FEDERATION OF LABOUR TO KEEP WAGE SETTLEMENTS AT A "NON-PREJUDICIAL" LEVEL. GOVERNMENT WOULD BE WATCHING VERY CLOSELY AND WOULD NOT HESITATE TO REIMPOSE STRINGENT CONTROLS IT SAID, ALL THE TIME REFUSING TO OFFER ANY SUGGESTIONS OF WHAT AN "ACCEPTABLE" SETTLEMENT LEVEL MIGHT BE. IN ITS FIRST TEST OF THE NEW POLICY

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THIS PAST WEEK, THE MULDOON GOVERNMENT HAS:

(A) REVEALED ITSELF TO BE MUCH LESS THAN A SILENT OBSERVER OF THE COLLECTIVE BARGAINING PROCESS;

(B) SCUTTLED AN AWARD IN THE CRITICAL ELECTRICAL SUPPLY AREA WHICH HAD ALREADY REACHED A STAGE OF AGREEMENT;

(C) UNDERCUT THE EMPLOYER NEGOTIATORS IN THE ELECTRICAL SUPPLY TALKS IN SUCH A WAY THAT ALL BUT ONE FELT CONSTRAINED TO RESIGN FROM THE NEGOTIATIONS;

(D) OFFERED TO THE MEDIA A DEFINITION OF FREE COLLECTIVE BARGAINING WHICH SPELLS OUT NONE OF THE RULES OF THE GAME AND SPECIFICALLY EXCLUDES FROM THE EMPLOYEES' ARSENAL THE RIGHT TO STRIKE;

(E) FORCED A NORMALLY MODERATE TRADE UNION INTO A RATHER MORE RADICAL POSITION. END SUMMARY.

2. FOR SIX YEARS, UNDER BOTH LABOUR AND NATIONAL GOVERNMENTS, THE PROCESS OF WAGE NEGOTIATIONS IN NEW ZEALAND HAS BEEN CONTROLLED OR, AT LEAST TO A DEGREE, CONSTRAINED BY THE ACTIVE INVOLVEMENT OF GOVERNMENT. IN AUGUST 1976, IN FULFILLMENT OF AN ELECTION-YEAR PLEDGE OF PRIME MINISTER MULDOON, A VIRTUAL WAGE FREEZE WAS SLAPPED ON NEW ZEALAND'S WORK FORCE FOR ONE YEAR. THE FACT, HOWEVER, THAT DURING THE TWELVE MONTHS OF WAGE FREEZE INFLATION CONTINUED TO RISE AT A 17 PERCENT PER ANNUM RATE AND WAGES THEMSELVES ROSE AN ASTONISHING 16.4 PERCENT PROVED TO BE SOMETHING OF AN EMBARRASSMENT TO THE MULDOON GOVERNMENT. PERHAPS BELIEVING THAT THE INFLATIONARY IMPACT OF FREELY NEGOTIATED WAGE RATES COULD BE NO WORSE -- MAYBE EVEN LIMITED OFFICIAL USE

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BETTER -- THE GOVERNMENT OF NEW ZEALAND (GNZ) ANNOUNCED IN LATE JULY THAT IT WOULD LIFT WAGE RESTRAINTS ON AUGUST 15 AND NEW ZEALAND WOULD RETURN TO A SYSTEM OF FREE COLLECTIVE BARGAINING.

3. THE GNZ'S DECISION CAME AS SOMETHING OF A SURPRISE ALTHOUGH BOTH THE FEDERATION OF LABOUR AND THE EMPLOYERS' FEDERATION HAD FOR SOME TIME PRESSED FOR AN END TO WAGE RESTRAINTS. PRIMIN MULDOON SPOKE OF THE "SOCIAL RESPONSIBILITY" OF THE PRINCIPAL PARTIES, WARNED DARKLY THAT THE GOVERNMENT WOULD BE WATCHING THE LEVEL OF WAGE SETTLEMENTS CLOSELY AND SAID GOVERNMENT, IF NECESSARY, WOULD NOT HESITATE TO REIMPOSE STRINGENT CONTROLS. HE REFUSED, HOWEVER, AS DID HIS MINISTERS, TO SET ANY PARAMETERS WITHIN WHICH A SETTLEMENT WOULD BE ACCEPTABLE OR UNACCEPTABLE TO HIS GOVERNMENT.

4. WHILE ONE AWARD WAS NEGOTIATED (WITH THE DRIVERS) IMMEDIATELY AFTER THE RETURN TO FREE COLLECTIVE BARGAINING, ITS SETTLEMENT OF SIX PERCENT WAS FOR BUT SIX MONTHS AND THUS DID NOT QUALIFY AS AN INDUSTRIAL "TREND SETTER." (PRIMIN MULDOON TOOK SPECIAL PAINS, BLP BKSFUWBLESUPX

SITJSRIIDYBLZDFHLHE AGREEMENT AS BEING "WITHIN THE GUIDELINES" THE GOVERNMENT HAD IN MIND.) IT THEREFORE FELL TO A TRADITIONAL "TREND SETTER," THE ELECTRICAL SUPPLY AUTHORITIES' AWARD, TO TEST THE TRUE COMMITMENT OF GOVERNMENT AND THE PRINCIPAL PARTIES TO THE PROCESS OF FREE COLLECTIVE BARGAINING. HOW DISMALLY THE GOVERNMENT FAILED THE TEST IS REVEALED RATHER STRIKINGLY IN THE BREAKDOWN OF THE NEGOTIATIONS.

5. AFTER FOUR DAYS OF TALKS, THE NEGOTIATORS FOR THE ELECTRICAL WORKERS UNION AND THE SUPPLY AUTHORITIES REACHED AGREEMENT FOR A 7.4 PERCENT WAGE INCREASE IN WELLINGTON AND AUCKLAND AND 9.4 PERCENT FOR WORKERS IN OTHER POWER SUPPLY

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C O R R E C T E D C O P Y (PARA 8)

AREAS. AT THAT STAGE THE SENIOR NEGOTIATORS FOR THE EMPLOYERS ADVISED THE WORKER REPRESENTATIVES THAT THEY HAD TO GO TO PARLIAMENT TO INFORM THE MINISTERS OF LABOUR AND ENERGY AND THE DEPUTY MINISTER OF FINANCE OF THE TERMS OF THE SETTLEMENT. THEY DID SO, RETURNED TO THE NEGOTIATING TABLE AND WERE ABOUT TO SIGN THE AGREEMENT WHEN THE EMPLOYERS' CHIEF NEGOTIATOR WAS CALLED FROM THE TABLE BY A TELEPHONE CALL PLACED FROM THE OFFICE OF THE MINISTER OF ENERGY. ACCORDING TO REPORTS, HE RETURNED IN A FEW MOMENTS TO EXPLAIN, "THEY'RE GOING TO NATIONALIZE US,"

AND SAID THE EMPLOYERS WOULD HAVE TO WITHDRAW THEIR LAST OFFER. HE ADDED THAT ALL BUT ONE OF THE EMPLOYER NEGOTIATORS FELT CONSTRAINED TO RESIGN BECAUSE "THEY COULD NOT TRULY REPRESENT THE EMPLOYERS IN THE ELECTRICAL SUPPLY INDUSTRY." THE CHIEF UNION NEGOTIATOR PROTESTED WHAT HE TERMED "BLATANT GOVERNMENT INTERFERENCE" IN THE FREE COLLECTED OFFICIAL USE

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LECTIVE BARGAINING PROCESS, ANNOUNCED A BREAKDOWN IN THE TALKS, AND FILED NOTICE OF A STRIKE TO TAKE EFFECT ON SEPTEMBER 20. (EMPLOYER AND EMPLOYEE REPRESENTATIVES ARE IN ESSENTIAL AGREEMENT AS TO THE FOREGOING DESCRIPTION OF EVENTS. THE GOVERNMENT, HOWEVER, STEADFASTLY DENIES THAT IT "INTERFERED" OR THREATENED TO "NATIONALIZE" THE ELECTRICAL SUPPLY AUTHORITIES SAYING THE TERMS ARE "TOO STRONG." ACCORDING TO THE MINISTER OF LABOUR, GOVERNMENT MERELY "ADVISED" THE EMPLOYERS WHAT DECISION THEY SHOULD COME TO.)

6. IN HIS REGULAR MONDAY PRESS CONFERENCE SEPTEMBER 5, PRIMIN MULDOON WAS PERSISTENTLY QUESTIONED ABOUT THE GOVERNMENT'S ROLE IN THE COLLAPSED NEGOTIATIONS. HE STATED THAT 9.4 PERCENT WAS AN UNACCEPTABLY HIGH SETTLEMENT, BUT REPEATEDLY REFUSED TO OFFER ANY GUIDELINES FOR AN "ACCEPTABLE" SETTLEMENT. CONCERNING THE FILING OF THE NOTICE OF STRIKE ACTION IN THE CRITICAL ELECTRICAL SUPPLY FIELD, THE PRIMIN ADVISED THAT THERE WAS NO ROOM FOR THE THREAT OF A STRIKE WITHIN HIS NOTION OF FREE COLLECTIVE BARGAINING. "IF FREE WAGE BARGAINING IS GOING TO MEAN THE USE OF THE STRIKE WEAPON, IT'S NOT GOING TO BE FREE WAGE BARGAINING. WE'LL GO BACK TO REGULATIONS," HE SAID.

7. ON SEPTEMBER 5, THE EMPLOYER NEGOTIATORS ADVISED THE MEDIA AND THE EMPLOYEE REPRESENTATIVES THAT THEY WERE PREPARED TO RETURN TO THE BARGAINING TABLE AND IN A TACIT RECOGNITION OF THE ROLE OF GOVERNMENT IN THE PREVIOUS WEEK'S NEGOTIATIONS, TOOK THE UNUSUAL STEP OF ASSURING THE EMPLOYEE NEGOTIATORS THAT THEY WOULD BE FULLY EMPOWERED TO NEGOTIATE WITHOUT EXTERNAL DIRECTION.

8. COMMENT: FOR THE NATIONAL GOVERNMENT AND ITS NEW LIMITED OFFICIAL USE

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"SOCIAL CONTRACT" WITH THE EMPLOYERS' FEDERATION AND THE FEDERATION OF LABOUR, THE INITIAL ROUND OF NEGOTIATIONS UNDER THE SYSTEM OF FREE COLLECTIVE BARGAINING COULD NOT

HAVE GONE WORSE. IN THE FIRST INSTANCE, IT GAVE THE APPEARANCE OF NOT HAVING ANY CAREFULLY THOUGHT OUT POLICY ON WAGES. THE FEW RULES OF THE GAME WHICH IT APPARENTLY HAS DEVELOPED, IT CHOSE TO KEEP SECRET. NEITHER THE PLAYERS NOR THE PUBLIC KNOW HOW THE GAME IS TO BE PLAYED TO AVOID THE THREATENED WAGE RESTRAINTS. BUT MORE SERIOUSLY, THE CREDIBILITY OF THE EMPLOYERS AND THE GOVERNMENT IN THE NEW PROCESS WAS DAMAGED; AND A MODERATE TRADE UNION WHICH HAS TRADITIONALLY NEGOTIATED IN A RESPONSIBLE MANNER WAS PUSHED BY GOVERNMENT'S HAM-HANDEDNESS INTO A POSITION OF ABNORMAL RADICALISM. IT SEEMS LIKELY THAT THE 7.4 AND 9.4 PERCENT INCREASE PACKAGE ON WHICH THE EMPLOYERS RENEGED SEPTEMBER 1 UNDER GOVERNMENT'S INSISTENCE WILL NOW BECOME THE MINIMUM TERMS UNDER WHICH THE EMPLOYEES' REPRESENTATIVES WILL RETURN TO THE BARGAINING TABLE. IF THAT IS THE CASE, GOVERNMENT WILL HAVE LOST AS WELL IN ITS EFFORTS TO CONSTRAIN THE LEVEL OF WAGE INCREASES. NO ONE WILL DENY THAT PRIMUM MULDOON AND HIS GOVERNMENT ARE IN A VERY DELICATE SITUATION WITH THE COUNTRY CONTINUING IN ECONOMIC DOLDRUMS AS THE 1978 ELECTION YEAR APPROACHES. FREE COLLECTIVE BARGAINING IS A SUBSTANTIAL RISK FOR MULDOON; A "TREND SETTING" SETTLEMENT WHICH IS SO HIGH THAT INFLATION IS REFUELED WILL NOT BE TOLERATED BY HIM. HE IS GAMBLING THAT THE BACKS OF THE EMPLOYERS CAN BE SUFFICIENTLY STRENGTHENED BY GOVERNMENT TO MAKE THEM EFFECTIVE BARGAINERS VERSUS THE UNIONS. IF HE IS WRONG, THE ONLY ALTERNATIVE WILL BE A RETURN TO WAGE RESTRAINTS. WITH THAT SAID, HOWEVER, THE PAST WEEK WAS IN TOTAL A PATHETIC START TO WHAT MANY HAD HOPED WOULD BE A NEW ERA IN FREE COLLECTIVE BARGAINING. END COMMENT. SELDEN

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## Message Attributes

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